



Want to Buy Real Estate? This Stock Is Best

Description

Real estate has continually proven to be a fantastic [investment](#).

“Land monopoly is not only monopoly, but it is by far the greatest of monopolies. It is a perpetual monopoly, and it is the mother of all other forms of monopoly,” exclaimed Winston Churchill.

“Ninety percent of all millionaires become so through owning real estate,” adds Andrew Carnegie. “More money has been made in real estate than in all industrial investments combined. The wise young man or wage earner of today invests his money in real estate.”

But investing in property can be difficult. It usually requires taking out loans, managing tenants, and a boatload of paperwork. If you want to avoid all of the hassle, stick with stocks that do the work for you. My favourite [long-term](#) pick is **Brookfield Property Partners** ([TSX:BPY.UN](#))(NASDAQ:BPY).

This stock is for you

One of the most popular ways to value real estate is by comparing the market price with its book value. Book value is the price that the balance sheet lists the asset. The market price is what the stock market believes the asset to be worth.

For example, let's say a company purchases a property in Toronto for \$1 million, and that is its only asset. If the market cap of the company is \$1 million, shares would trade at one times book value. If the market cap trades at \$2 million, the multiple would be two times book value. And if the market cap was only \$500,000, the company would trade at *half* book value.

The important thing to know here is that most real estate is valued on the balance sheet at the original price that was paid. So, even if many years have elapsed, and local pricing has skyrocketed, the book value remains roughly the same. This is the main reason why property stocks often trade above book value.

But the opposite is also true. If the market tanks, book values aren't instantaneously updated, forcing

the stock to trade *below* book value. This is the case with Brookfield, which trades at 35% of book value, despite owning some of the best real estate assets in the world.

This is a perfect time to bet big.

Bet big on real estate

If Brookfield stock returns to book value, there would be 200% upside. Is this likely to occur? Absolutely.

Just take a look at Brookfield's assets. They include First Canadian Place in Toronto, Canary Wharf in London, Brookfield Place in New York City, Potsdamer Platz in Berlin, and the Fashion Show in Las Vegas. These are world-class assets in high-density locations. Foot traffic may dip for a period of months, but long term, their value is secure.

Just look at what Brookfield was doing before the pandemic hit. It was selling assets for *above* book value, and had \$1 billion in unrealized gains on *two* separate properties. Once conditions normalize, this stock will return to one times book value.

The only question left is, will Brookfield survive until then?

In March, management reiterated their confidence in outlasting the crisis, noting its \$6 billion of capacity in undrawn credit lines and cash on hand.

"We expect this will be more than sufficient to weather a protracted downturn and we continue to enjoy the sponsorship of **Brookfield Asset Management**, who is in excellent financial condition should we ever require assistance," the company said.

This story will take a few years to play out, but it's simply the best way to bet on real estate today.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:BPY.UN (Brookfield Property Partners)

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